

In the history of “Electric Power Industry of Serbia”, 2014 will be remembered as the year when the catastrophic weather conditions have left the huge consequences in the operation of EPS. However, there have been very good results as well. We have managed to maintain a dominant position in the second wave of the liberalization of the electricity market, although everyone expected that we would be “destroyed” by the competition, says Mr. Aleksandar Obradovic, the director of EPS, Serbian power utility company.

The first man of the Serbian energy company points out that, in the first five months of 2014, EPS had the record results in coal production and electricity, and the electricity sale outside the EPS was above planned. If there had not been the floods, the 2014 would have been better and more successful from the record 2013.

What else has marked the 2014?

- In early August, when the founding acts of companies were aligned with the new statute of EPS, a step towards the corporatization process was finally made. For the first time in the history, the system of EPS is recognized as “EPS group”. With the arrival of the new Energy Minister, Mr. Aleksandar Antic, with whom the cooperation is very good, the Government of Serbia adopted the Reorganization Program of EPS. The new Supervisory Board of EPS adopted a new Statute and founding acts of the companies, which are aligned with the new control system foreseen in the Reorganization Program. Unfortunately, the catastrophic floods occurred in May, when the Kolubara’s mines were flooded and considerable damage was caused to the whole system, from the production to the distribution. However, neither that was the end : the July storm caused the damage to the mine “Drmno” in Kostolac, and the September floods in Kladovo put on trial the hydro power plants and distribution in that area. The recent ice storm and the wind in Eastern Serbia, which is remembered neither by the residents nor the employees, have chained our network as well. All these disasters have showed and proved that “Electric Power Industry of Serbia” is not made of power plants, mines, power stations, but capable and hardworking people. I am proud of the employees in EPS, all colleagues who, with superhuman efforts, managed to maintain our system stable. Thanks to our expertise, knowledge and great adaptability of our employees, there have been no power cuts in Serbia this year. Many thanks to our employees in “Electric Power Industry of Serbia” for everything they do every day in order to show that EPS is the safest economic system in Serbia. I am truly proud of them. It is very important that we have had the support of the Ministry of Mining and Energy and Government of Serbia, because they have facilitated the cooperation of EPS with the World Bank. A lot of misfortunes have happened to EPS in 2014 and because of that our financial results will not be as we planned at the end of 2013. Instead of being better than the record 2013 according to the financial results, the flood consequences have had the very negative effect on business this year, and will be reflected on the results in the following year.

What can we expect in 2015?

- The priority is a complete enabling of the production in the Mining Basin "Kolubara". In early January, we should get an additional 10,000 t of coal daily from the open pit mine "Tamnava - West Field", and pumping from this mine should be completed by the end of February. The complete enabling of all the systems and returning the production to the pre-flood level in the open pit mine "Tamnava - West Field" is expected in the mid-2015. The increase of coal production in MB "Kolubara" will have a direct positive impact on the growth of the industrial production in Serbia. It is our mission, set by our country. You have announced the beginning of the process of corporatization, what is happening in this field?

- The process of corporatization is our second task. Towards this goal, only two steps have remained: the Serbian Government approval of the new Statute of EPS and founding acts of the companies, and the appointment of the Board of the Executive Directors according to the Statute. After these two steps, we officially enter into the process of corporatization. When we meet these two conditions, I will go to every company to explain what that famous process of corporatization means. There are no secrets. I will answer all the questions. What will you say to the employees, why should the corporatization be implemented?

- In the EPS Reorganization Program it is determined that the status change should be made by the 1st July 2015. This way all production companies will become branches within PE EPS, and all distributions will be merged into one and we will have one operator of the distribution system. "EPS Supply" remains a separate subsidiary. By July 2016, EPS should become a joint-stock company.

What will really happen on 1st of July 2015?

- Corporatization is a process. You shouldn't expect anything to happen overnight. Nothing epochal will happen either on 1st January, or on 1st July. These are formal changes, and substantial changes are expected in the next three to five years. Employees should know that the changes in the organizational schemes will not be made at once. It is a process and everybody will be timely informed about them. Of course, the trade union will be consulted regarding all changes. We expect support from the union, because we all have the same goal:

to make EPS better, more organized, and to make its operations more efficient and profitable.

Why are these changes necessary at all?

- The world around us has changed and as if we suddenly had become aware of that. EPS is the last electric power industry in Europe which is organized as a public enterprise. There isn't such an organization anywhere anymore. "Electric Power Industry of the Republic of Srpska" became a joint-stock company 10 years ago. The work process will not be threatened by the changes. That's for sure. But we must be aware that the general medical examination is not made because of the doctor, but for ourselves. Corporatization must be

implemented for our sake. We are not trying to break EPS into parts; on the contrary, we are creating a large system which all citizens of Serbia deserve. It is very important that we have the union's support for that. The electricity price is falling rapidly as well. Six years ago a megawatt-hour cost 80 to 90 euros and now it costs 30 euros.

EMS will open the stock market soon and we will be even more exposed to the pressure of prices and competition. The European Union has been imposing the renewable energy sources more and more and it demands the suppression of the mining and thermo sector, and it costs a lot. For this reason, EPS must be more efficient and profitable. If EPS doesn't change, it will end as any other loss-making company. Corporatization and all these changes are not made because of some Mr. Obradović, International Monetary Fund or World Bank, but because of ourselves. So, the entire process is a series of changes and nothing will happen overnight.

IMF has taken EPS as an example where it will supervise the process of reforms of the public sector in Serbia. To what extent is it good for EPS?

- EPS has the honor of being the leader of changes in the public sector in Serbia. We should show on our example how from an ineffective PE, EPS can become an effective joint-stock company and successful corporation ready to respond to the market needs and challenges of the competition. I am convinced that, if we implement all the changes, it will be good for us and for the state of Serbia. The Government of Serbia will obtain additional credibility with the IMF and the World Bank for the support within the continuation of reforms in the economy.

The opening of the market for households and small customers will start from 1st January.

Is EPS ready for the total exposure to competition?

- It comes the time for the third phase, when no buyer is guaranteed to us. Now every citizen, every household can change the supplier. EPS is ready for the final act of the market opening. It is a challenge for us, as the previous first two waves in which we managed to show ourselves as a competitive player ready to operate in market conditions. We are waiting for the adoption of the new Energy Law, which envisages an obligation for the small customers, who consume over 30,000 kilowatt-hours, to enter the market.